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**SAN JOSE WATER COMPANY
(U-168-W)**

PROPOSED CUSTOMER NOTICE

JANUARY 2018

P U B L I C N O T I C E

**Para más información o si necesita asistencia en Español por favor llame al número
(408) 279-7900**

**SAN JOSE WATER COMPANY
NOTICE OF GENERAL RATE CASE APPLICATION FILING
APPLICATION NO. 18-01-XXX**

On January 4, 2018, San Jose Water Company (SJWC) filed its General Rate Case (GRC) Application 18-01-XXX, seeking authority from the California Public Utilities Commission (CPUC) to increase rates in 2019, 2020 and 2021. As part of its decision-making process, the CPUC is interested in hearing from you, and invites you to provide your comments on any aspect of the company's operations including proposed rates, service quality issues or any other matter related to the request that may be of concern to you.

Under SJWC's proposal, rates for each year would become effective on January 1 for that particular year. Rate increases for 2020 and 2021 are derived using an escalation procedure and inflation factors provided by the CPUC. The factors used to calculate rates in these years will be the most recent inflation forecast at that point in time. In its application, SJWC has requested to increase its rates by actual inflation without further notice to customers. This means that if inflation is greater or lower than that assumed in the application, rates for 2020 and 2021 may be higher or lower than shown in this notice, and no further notification would be required to adjust the rates accordingly.

CUSTOMER IMPACT

SJWC filed a GRC application requesting authority for an increase in revenues of \$34,288,000,000 or 9.76 percent in 2019, \$14,232,000 or 3.70 percent in 2020, and \$20,582,000 or 5.17 percent in 2021. SJWC also seeks authority for: (1) recovery of \$13,612,774 for its balancing account via a \$0.2973/ccf customer surcharge beginning January 1, 2019, until recovered and (2) recovery of \$7,112,350 for its memorandum account via a monthly surcharge to customers of \$0.1553/ccf beginning January 1, 2019, until recovered.

A balancing account tracks the incremental over and under collection of rates, surcharges, and other expenses for future recovery by the utility, such as purchased water and groundwater extraction charges. A memorandum account tracks specific expenses assigned for possible future recovery, such as water quality and conservation expenses.

If approved by the CPUC, the following tables provide a comparison of SJWC's requested rate increases for Schedule 1 and Schedule 1C Mountain Districts by meter size. The Mountain District is located in the hills above Los Gatos, CA.

Schedule 1 and Schedule 1C– General Metered Service Rate Impact

| Monthly Service Charge | | Rates Proposed in SJWC's Application | | |
|------------------------|---------------|--------------------------------------|-------------------------------|-------------------------------|
| Meter Size | Present Rates | 2019 Rates \$ (% increase) | 2020 Rates \$ (% increase) | 2021 Rates \$ (% increase) |
| 5/8 x 3/4-inch | \$25.45 | \$39.00 (53%) | 42.40 (9%) | \$44.34 (5%) |
| 3/4-inch | \$25.45 | \$39.00 (53%) | \$42.40 (9%) | \$44.34 (5%) |
| 1-inch | \$42.37 | \$67.80 (60%) | \$70.66 (4%) | \$73.90 (5%) |
| 1 1/2-inch | \$84.78 | \$135.60 (60%) | \$141.33 (4%) | \$147.80 (5%) |
| 2-inch | \$135.68 | \$217.10 (60%) | \$226.12 (4%) | \$236.47 (5%) |
| 3-inch | \$254.37 | \$407.00 (60%) | \$423.98 (4%) | \$443.39 (5%) |
| 4-inch | \$423.96 | \$678.30 (60%) | \$706.63 (4%) | \$738.98 (5%) |
| 6-inch | \$847.91 | \$1,357.00 (60%) | \$1,413.26(4%) (4%) | \$1,477.96 (5%) |
| 8-inch | \$1,356.67 | \$2,171.00 (60%) | \$2,261.22(4%) (4%) | \$2,364.74 (5%) |
| 10-inch | \$1,950.24 | \$3,120.00 (60%) | \$3,250.51(4%) (4%) | \$3,399.31 (5%) |

Schedule 1 and 1C - Per Ccf Rate Impact

| Present Quantity Charges (Per Ccf) All Residential Customers: | | Rates Proposed in SJWC's Application | | |
|---|----------------|--------------------------------------|-------------------------------|-------------------------------|
| Usage | Present Rates* | 2019 Rates \$ (% increase) | 2020 Rates \$ (% increase) | 2021 Rates \$ (% increase) |
| 0 to 3 Ccf | \$4.96 | \$3.34 (-33.1%) | \$3.38 (1.1%) | \$3.54 (4.8%) |
| 3+ to 18 Ccf | \$5.43 | \$5.01 (-7.7%) | \$5.06 (1.1%) | \$5.31 (4.8%) |
| Over 18 Ccf | \$5.91 | \$6.68 (13.0%) | \$6.75 (1.1%) | \$7.07 (4.8%) |
| All Other Customers: (Business, Industrial, Public Authority, Resale) | | | | |
| All Usage | \$5.43 | \$5.01 (-7.7%) | \$5.06 (1.1%) | \$5.31 (4.8%) |

*Quantity Charge Present Rates include current Santa Clara Valley Water District expense offset surcharges

For the typical residential customer with a 3/4-inch meter using 11 ccf (one ccf = 748 gallons) of water per month, the monthly water bill will increase by \$5.40 or 6.36 percent from \$84.94 at present rates, to \$90.35 in 2019, by \$4.00 or 4.42 percent to \$94.34 in 2020, and by \$4.42 or 4.69 percent to \$98.76 in 2021. The rates shown on your water bill may vary from the rates shown above due to temporary credits or surcharges in effect.

PRIMARY DRIVERS OF RATE INCREASE

SJWC has been providing safe and reliable water service for more 150 years and many of the facilities used for water service have reached the end of their lives. SJWC is proposing this rate increase due to escalating operating expenses related to water quality and safety requirements, as well as significant system infrastructure replacement requirements as the water system ages over the next several years. In order to maintain safe and reliable water service, infrastructure improvements such as water main and well replacements, enhancements to pumping stations and well fields, as well as water tank upgrades and replacements throughout SJWC's 140 square miles of service area are necessary.

TO OBTAIN A COPY OF THE APPLICATION

A copy of SJWC's application and further information may be obtained from the company's customer service office, open Monday through Friday from 8:00am to 5:30pm, located at:

San Jose Water Company
110 West Taylor Street
San Jose, CA 95110
Telephone: 408.279.7900
www.sjwater.com

You may also review the application at the CPUC's Central Files Office at 505 Van Ness Avenue, San Francisco, CA 94102, between the hours of 8:00 a.m. to noon Monday through Friday.

CPUC PROCESS

As a party of record, the Office of Ratepayer Advocates (ORA) will review this application. ORA is the independent consumer advocate within the CPUC with a legislative mandate to represent investor-owned utility customers to obtain the lowest possible rate for service consistent with safety, reliability, and the state's environmental goals. ORA has a multi-disciplinary staff with expertise in economics, finance, accounting and engineering. Other parties of record will also participate in the CPUC's proceeding to consider this application. For more information about ORA, please call (415) 703-1584, e-mail ora@cpuc.ca.gov or visit the Office of Ratepayer Advocate's website at <http://ora.ca.gov/default.aspx>.

This application will be assigned to an Administrative Law Judge (Judge) who will determine how to receive evidence and other related documents necessary for the CPUC to establish a record upon which to base its decision. Evidentiary hearings may be held where utilities, consumer advocacy groups, and other entities which have been given official status as "parties," will present their testimony and may be subject to cross-examination by other parties. These evidentiary hearings are open to the public, but only those who are parties may participate. The hearings and documents submitted in the proceeding, become part of the formal record that the Judge relies upon when writing a proposed decision to present to the Commissioners for their consideration.

After considering all proposals and all evidence presented during the formal hearing process, the assigned Judge will issue a proposed decision, determining whether to adopt SJWC's request, modify it, or deny it. Any of the CPUC's Commissioners may sponsor an alternate decision. The proposed decision, and any alternate decisions, will be discussed and voted upon at a scheduled Commission Voting Meeting.

STAY INFORMED

If you would like to follow this proceeding, or any other issue before the CPUC, you may use the CPUC's free subscription service. Sign up at: <http://subscribecpuc.cpuc.ca.gov/>.

If you have been given official party status, formal protests to this application must be filed with the CPUC's Docket Office no later than 30 days from the date the application first appears in the CPUC's Daily Calendar. Hard copies must be addressed to CPUC Docket Office, 505 Van Ness Ave., San Francisco, California 94102. If you wish to file electronically you can do so through the following link <http://efile.cpuc.ca.gov/thin/cp.exe>.

If you would like to learn how you can participate in the proceeding, or if you have informal comments or questions about the CPUC processes, you may access the CPUC's Public Advisor's webpage at www.cpuc.ca.gov/puc and click on "Public Advisor" from the CPUC Information Menu. You may also contact the Public Advisor as follows:

Write: CPUC Public Advisor's Office, Room 2103
505 Van Ness Avenue
San Francisco, CA 94102

Email: public.advisor@cpuc.ca.gov

Phone: 1-866-849-8390 (toll-free) or 1-415-703-2074
1-866-836-7825 (toll-free) or TTY 1-415-703-5282

Please reference SJWC Application No. 18-01-XXX in any communications you have with the CPUC regarding this matter. All public comments will become part of the public correspondence file for this proceeding and made available for review for the assigned Judge, the Commissioners, and appropriate CPUC staff.